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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE AND MORTGAGE ACTIVITY

The continuing shortage of mortgage money has dropped real estate activity to its lowest point since late 1954. Our national index of real estate activity dropped to 10 points above normal in April. In March it stood at 13 points above normal. Its present level is almost 7 points below that of last April and 10 points below the February 1955 reading. The February 1955 level was the most recent high point, and activity has been slowly receding from it as the supply of funds has gradually tightened.

Although national real estate activity has moved steadily lower during 1956, the decline has not afflicted all areas. For example, Atlanta has experienced a good rise since the first of the year as have Buffalo, Chicago, Duluth, Evansville, Tacoma, Tucson and Tulsa. Chicago's rise has not been so marked as the others mentioned. On the other hand, activity there has been remarkably stable, with relatively slight changes. Cincinnati, Cleveland and Detroit are also cities that have enjoyed solid stability rather than more violent ups and downs.

While 80% of the cities reporting to us have a lower activity than a year ago, none of them has suffered drastic declines since year's end. Most of them have dropped off gradually, with the more rapid drops being found in Louisville, San Antonio, Springfield (Ohio), and Toledo.

Mortgage activity has followed about the same trend as has real estate activity. In fact, there is nothing like a tight money period to remind everyone how closely the two are allied. Our national mortgage index stood at 180.3 in January 1955. One year later it read 157.8. Its present reading is 152.6. The chances are that it will drift lower along with real estate activity for several more months. We do not anticipate a sustained upturn before August or September.

RESIDENTIAL CONSTRUCTION

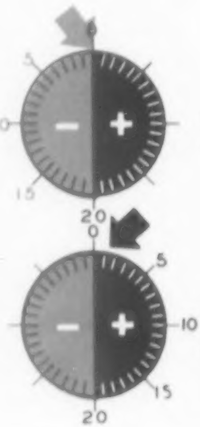
Along with automobile sales, the chief sufferers of the tight money policy are the home builders - particularly those who try to build in the lower price ranges. These are the builders who depend most heavily on FHA-VA-backed financing, and thus expose themselves to the whimsical behavior of Government agencies.

Whether one agrees that FHA-VA loans have been too liberal or not, there is no blinking the fact that the unpredictableness of Government lending practices and the instability of the FHA-VA secondary market are a disservice to the builder and buyer alike. Naturally, the builders want the easiest terms they can get, but the majority of them would far rather operate with a little tougher financing if they could know a year or two in advance what the terms would be. If FHA-VA interest rates were raised to realistic levels, a good deal of the tightness would go out of FHA-VA loans.

A good deal of consternation is being expressed over the 1956 rate of residential construction. Particular stress is laid on the fact that the first 4 months of 1955 ran nearly 20% ahead of the same period this year. While this is the case, it should be noted that 1955 recorded the highest volume of any January-April period in history. When the present volume of 355,000 starts is compared with other recent years, it doesn't look at all bad. The most recent high point in residential construction was the 12-month period ending in August 1955. From September 1954 through August 1955 there were 1,364,000 nonfarm residential starts, or 32.1 per 1,000 nonfarm families. The 12-month period ending April 1956 saw 1,294,500 starts, or a rate of 30.2 per 1,000 nonfarm families. This is a decline of only 5%. However, the trend is toward further drops.

(cont. on page 246)

REAL ESTATE SALES PRICE COMPARISONS

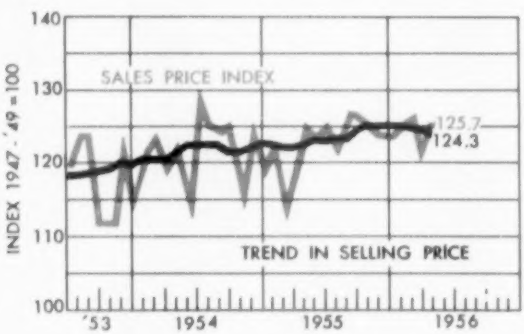


With preceding month

-0.2%

With same month preceding year

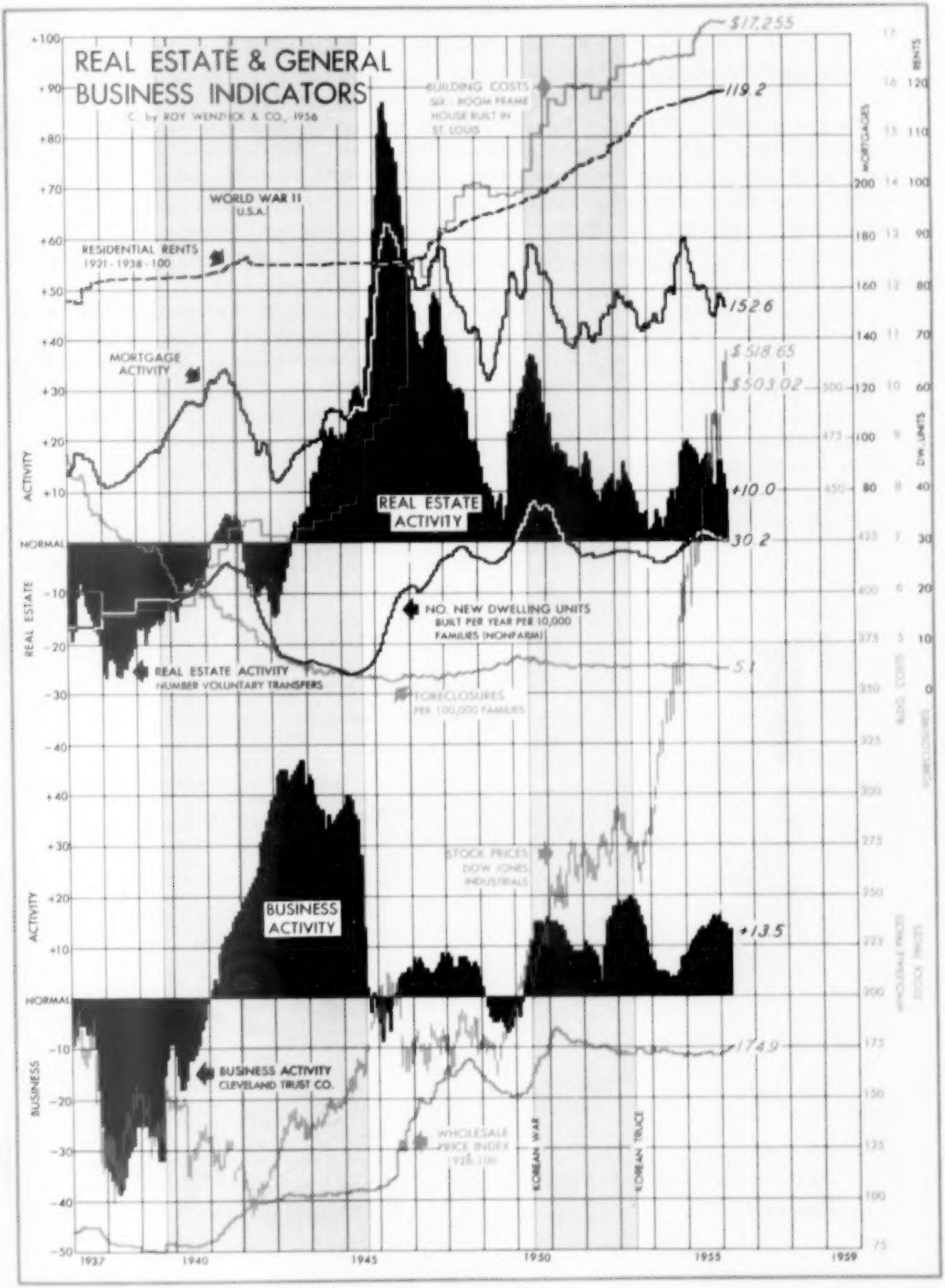
+1.1%



Date	Trend in selling price	Probable selling price of a house that sold for $12,000 in 1947-49 period
1947-49	100.0	$12,000
1913	40.1	4,812
1918	34.1	4,092
Mar. '29	73.9	8,868
May '32	34.8	4,176
Apr. '34	44.8	5,376
July '37	40.1	4,812
Apr. '38	42.8	5,136
Mar. '41	40.1	4,812

Date	Trend in selling price	Probable selling price of a house that sold for $12,000 in 1947-49 period
Oct. '48	104.5	$12,540
Oct. '53	119.7	14,360
Oct. '54	122.3	14,680
Jan. '55	122.9	14,750
May '55	123.5	14,820
Oct. '55	125.1	15,010
Jan. '56	125.1	15,010
Feb. '56	125.0	15,000
Mar. '56	124.6	14,950
Apr. '56	124.3*	14,910*

*Preliminary.


REAL ESTATE & GENERAL BUSINESS INDICATORS
C by ROY WENZLICK & CO., 1956
WORLD WAR II U.S.A.
RESIDENTIAL RENTS 1921-1938-100
MORTGAGE ACTIVITY
BUILDING COSTS SIX-ROOM FRAME HOUSE BUILT IN ST. LOUIS
$17,255
119.2
152.6
$518.65
$503.02
+10.0
30.2
5.1
REAL ESTATE ACTIVITY
NO. NEW DWELLING UNITS BUILT PER YEAR PER 10,000 FAMILIES (NONFARM)
REAL ESTATE ACTIVITY NUMBER VOLUNTARY TRANSFERS
FORECLOSURES PER 100,000 FAMILIES
STOCK PRICES DOW JONES INDUSTRIALS
BUSINESS ACTIVITY
+13.5
174.9
BUSINESS ACTIVITY CLEVELAND TRUST CO.
WHOLESALE PRICE INDEX 1926-100
KOREAN WAR
KOREAN TRUCE
REAL ESTATE ACTIVITY
BUSINESS ACTIVITY
NORMAL
MORTGAGES
RENTS
DW. UNITS
BLDG. COSTS
FORECLOSURES
WHOLESALE PRICES
STOCK PRICES
1937
1940
1945
1950
1955
1959

FARM LAND VALUES

In spite of falling net income to farmers, the price of farm land has been moving up again since 1953. The latest figures released by the United States Department of Agriculture show that the average value per acre has risen since 1953 in every State except Vermont. The biggest increase has been in Minnesota, where values have gone up 15% in the 2 years from November 1953 to November 1955. In the same period, Indiana farm lands have advanced 14% in value, while in Florida the rise has been 13% (see map below). In general, the biggest rises have come in those States traditionally regarded as farm States.

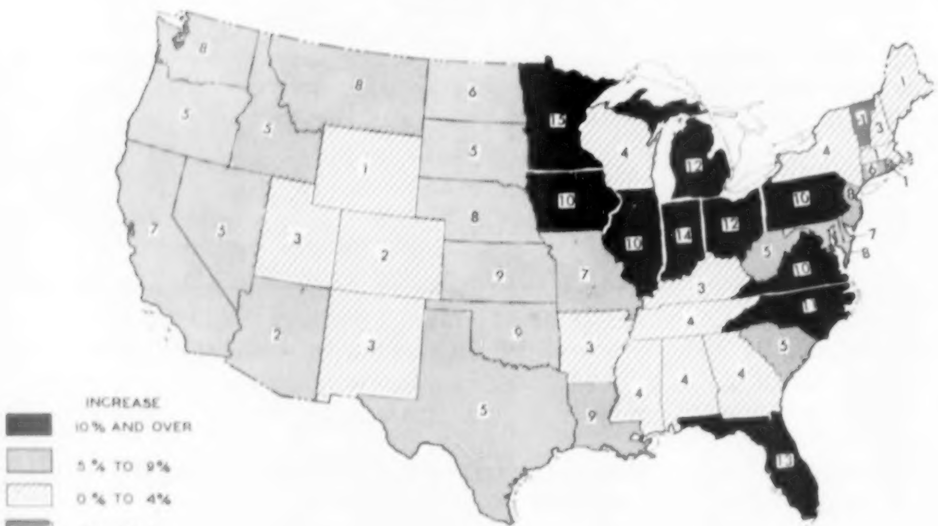
These improving land values, which are at alltime highs in nearly all States, have resulted from two main sources. First, and probably the most important, is the farmer's confidence in the long-range outlook. Second, many farmers are increasing the size of their operation in an effort to halt their falling incomes, and are buying adjoining acreage. In a good many instances a farmer will pay a high price for a particular piece of ground because it will fit well into his farm operation and give him more overall efficiency.

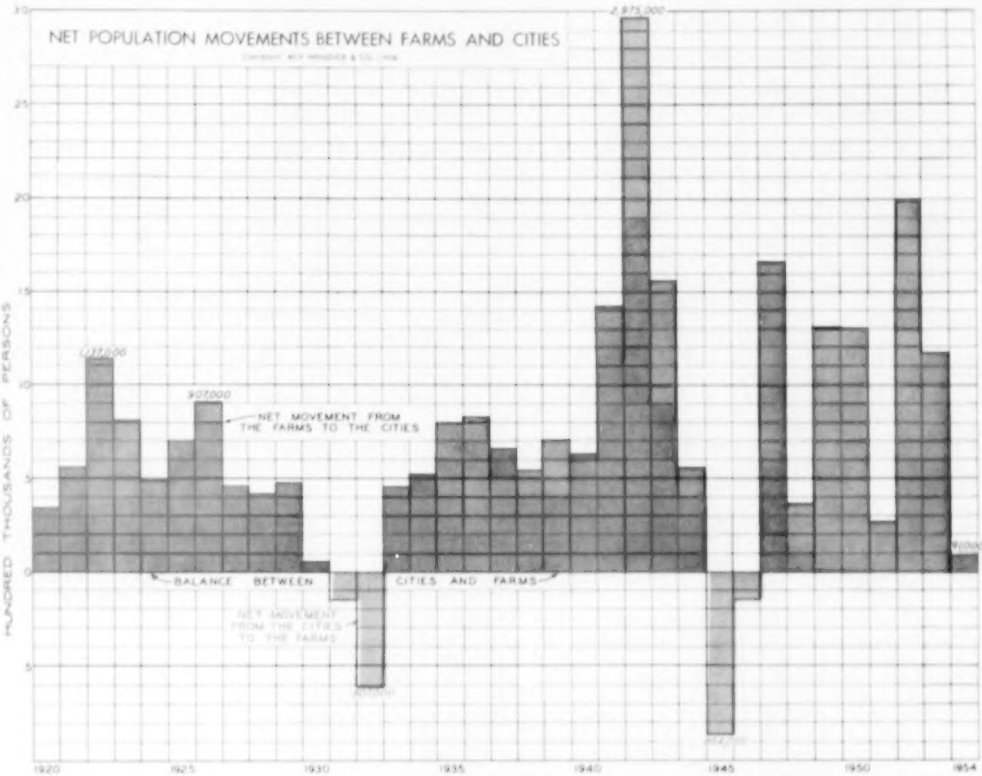
FARM-TO-CITY MIGRATION

Some alarm is being expressed over the fact that large numbers of farmers are leaving their farms for life in the cities. This is a movement that has been going on for a long time, and should not cause anybody undue anxiety.

PERCENTAGE CHANGES IN DOLLAR VALUE OF FARM LANDS

NOV. 1955 % TO NOV. 1953



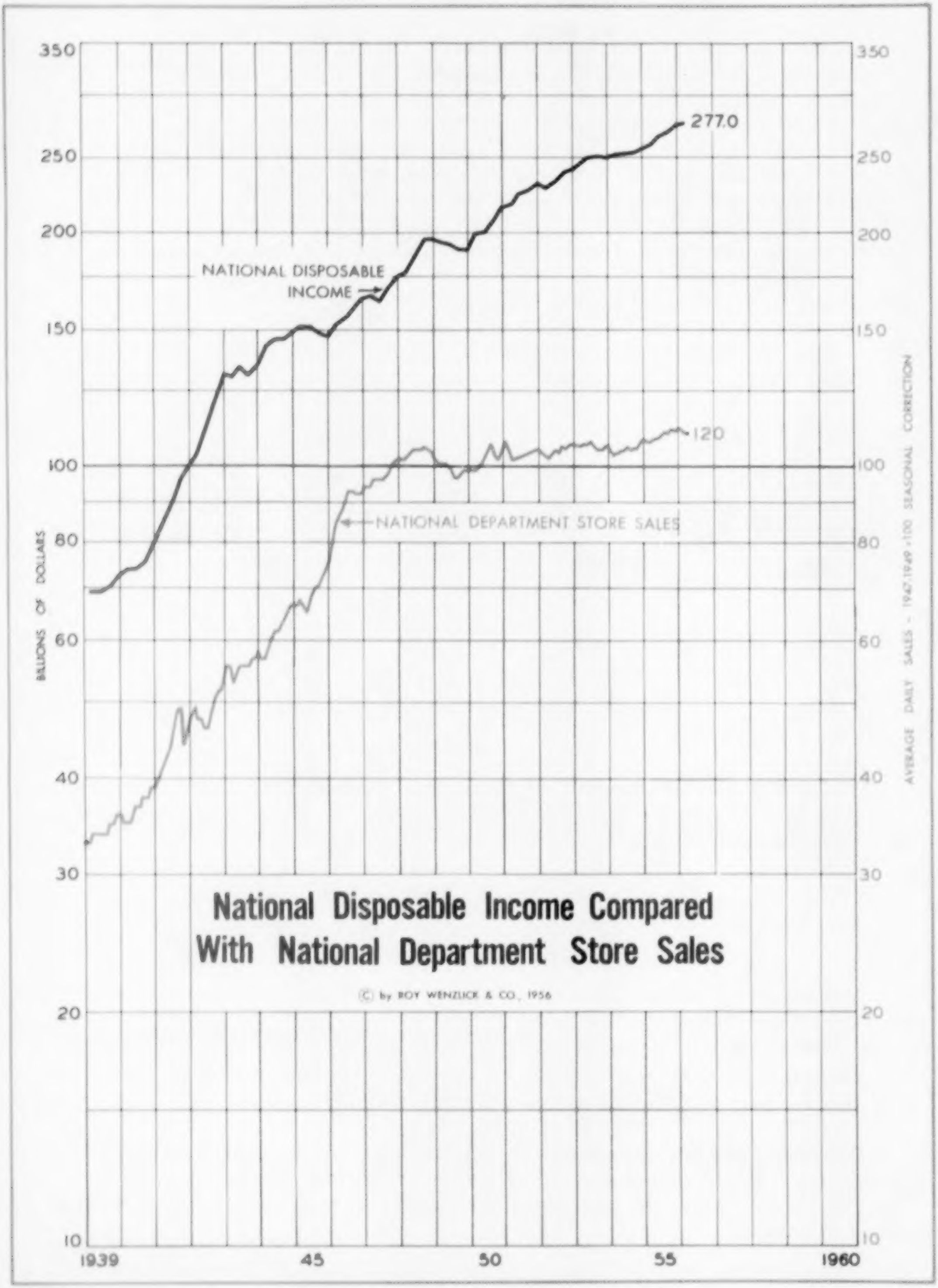


The chart above shows the net movement of population between farms and cities from 1920 through 1954. Total net population movement from the farms to the cities by decades is shown below.

1920-29	6,000,000, or 19% of 1920 farm population
1930-39	3,800,000, or 12% of 1930 farm population
1940-49	9,600,000, or 31% of 1940 farm population
1950-54	4,900,000, or 20% of 1950 farm population

The breakdown of the figures for the last 5 years shows that the farm population is losing manpower at the rate of about a million per year. For example, about 1,564,000 people left the farms each year during the April 1950-April 1955 period. During this same period, about 597,000 people migrated back to the farms from the cities. Thus the net loss in manpower has been 967,000 per year.

Obviously, we will some day reach a point where such a population shift will create serious labor shortages on the farms. However, that day is some years off. In the meantime, the entire country benefits from transfer of surplus farm labor to industry.


277.0
NATIONAL DISPOSABLE INCOME
120
NATIONAL DEPARTMENT STORE SALES
BILLIONS OF DOLLARS
AVERAGE DAILY SALES - 1947-1949 = 100 SEASONAL CORRECTION
350
250
200
150
100
80
60
40
30
20
10
1939
45
50
55
1960
National Disposable Income Compared
With National Department Store Sales
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INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
May 1956

SIX-ROOM BRICK HOUSE
(FRAME INTERIOR)*
Content: 23,100 cubic feet
1,520 square feet
Cost 1939: $ 6,400
(27.7¢ per cubic foot; $ 4.21 per square foot)
Cost today: $17,964
(77.8¢ per cubic foot; $11.81 per square foot)
INCREASE OVER 1939 = 180.7%

FIVE-ROOM BRICK VENEER HOUSE*
Content: 24,910 cubic feet
1,165 square feet
Cost 1939: $ 5,440
(21.8¢ per cubic foot; $ 4.67 per square foot)
Cost today: $15,593
(62.6¢ per cubic foot; $13 38 per square foot)
INCREASE OVER 1939 = 186.6%

SIX-ROOM FRAME HOUSE*
Content: 24,288 cubic feet
1,650 square feet
Cost 1939: $ 5,671
(23.4¢ per cubic foot; $ 3.44 per square foot)
Cost today: $17,255
(71.0¢ per cubic foot; $10.46 per square foot)
INCREASE OVER 1939 = 204.3%

6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT
Content: 12,119 cubic feet
992 square feet
Cost 1939: $3,392
(28.0¢ per cubic foot; $3.42 per square foot)
Cost today: $9,730
(80.3¢ per cubic foot; $9.80 per square foot)
INCREASE OVER 1939 = 186.8%

*Costs include full basement.

(cont. from page 240)

NONRESIDENTIAL CONSTRUCTION

Not the least of the reasons for a shortage in home mortgage funds is the stupendous activity in nonresidential construction. Through the first 4 months of this year, nonfarm nonresidential construction was running 10% ahead of its 1955 record year. Industrial construction (dollar volume) was running 22% ahead of a year ago. Commercial construction was up 25% (of this group, stores, restaurants and garages with a 29% gain may be heading toward trouble). Railroad construction was up 24%. Highway expenditures were up only 6%, and sewer and water lines were up only 12%. Both of these seem to represent considerable lagging.

This record volume of spending naturally requires enormous pools of financing, most of it long-term. Consequently, home mortgages are in a market that has grown more competitive and have, temporarily at least, lost ground.

Indications are that this phase of the situation will get worse before it gets better. A survey recently completed by Engineering News-Record reveals that American Business plans to spend $39 billion on new plants and equipment in 1956 (this is 30% more than was spent in 1955), and between $36 billion and $38 billion each year for 1957 through 1959. Thus it can be seen that the demands for financing will continue to be unusually heavy, at least until 1960.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES
IN 12 MAJOR CITIES OF THE UNITED STATES

Jan.	'54	5.187%	July	'55	5.050%
Apr.	'54	5.173	Aug.	'55	5.049
July	'54	5.089	Sept.	'55	5.043
Oct.	'54	5.092	Oct.	'55	5.055
			Nov.	'55	5.051
Jan.	'55	5.045	Dec.	'55	5.066
Feb.	'55	5.070			
Mar.	'55	5.087	Jan.	'56	5.105
Apr.	'55	5.079	Feb.	'56	5.177
May	'55	5.044	Mar.	'56	5.212
June	'55	5.052	Apr.	'56	5.157